

## Message Text

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ORIGIN EB-03

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FM SECSTATE WASHDC

TO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY ROME

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FOLLOWING REPEAT CONAKRY 0275 SENT SECSTATE INFO LONDON  
OTTAWA PARIS DATED FEB 21.

QUOTE

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E.O. 11652: N/A

TAGS: EMIN

SUBJECT: APPLICATION OF GUINEAN MINERALS TAX: FRIGUIA

BOARD MEETING

1. NORANDA PRESIDENT BRUCE ALLAN, AND OLD GUINEA HAND CLAUDE  
BASSINE, CALLED AT EMBASSY FEB 20 TO REPORT ON COMPLETE IMPASSE  
RESULTING FROM FRIGUIA BOARD MEETING IN CONAKRY THIS WEEK.  
NORANDA REPS STATED THAT GUINEAN GOV'T POSITION, EXPRESSED BY  
BOARD CHAIRMAN N'FAMARA KEITA, DID NOT WAVER AT ALL FROM LINE  
SET FORTH BY PRESIDENT TOURE IN HIS JAN 13 SPEECH ANNOUNCING NEW  
BAUXITE/ALUMINA EXPORT TAX (CONAKRY 058, NOTAL). GUINEAN POSITION  
WAS THAT ALTHOUGH GOG FULLY RESPECTS PREVIOUS AGREEMENTS, NEW  
TAX REPRESENTS POLICY OF PRESIDENT TOURE HIMSELF AND SUPERSEDES  
ALL PREVIOUS ARRANGEMENTS. NORANDA REPS EMPHASIZED THAT THERE  
APPEARED TO BE NO GIVE WHATSOEVER IN GUINEAN POSITION. AT SAME  
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TIME, NONE OF FRIGUIA PRIVATE PARTNERS WERE WILLING TO ACCEPT

THE MEASURES.

2. PROBLEM, ACCORDING TO NORANDA REPS, IS NOT SO MUCH TAX ITSELF, BUT GOG INSISTENCE THAT HENCEFORTH ALL PROCEEDS AND PROFITS FROM FRIGUIA OPERATION BE DEPOSITED IN GUINEAN NATIONAL BANK. THIS WOULD IN EFFECT GIVE GUINEANS VETO ON ANY FOREIGN CURRENCY PAYMENTS--INCLUDING DEPT PAYMENTS-- MADE BY FRIGUIA. THUS GUINEANS CONTINUE INSIST ON CHANGE IN "RULE OF ONE-THIRD", AND POSITION SEEMS EVEN MORE RIGID THAN BEFORE.

3. FRIGUIA PARTNERS ALSO CONCERNED AT TAX, WHICH NORANDA REPS SAID WOULD AMOUNT OF \$8.40 PER TON ALUMINA. NEVERTHELESS, THEY INDICATED TAX PROBLEM COULD BE WORKED OUT, PROVIDED SATISFACTORY RESOLUTION REACHED ON "ONE-THIRD RULE."

4. FRIGUIA MEETING WAS FIRST OPPORTUNITY FOR GOG TO PUT ITS NEW MINERALS POLICY INTO CONCRETE APPLICATION. FRIGUIA PARTNERS HAVE IMPRESSION THAT GOG USING FRIGUIA AS "GUINEA PIG," IN HOPES THAT BY FORCING FRIGUIA PARTNERS TO ACCEPT NEW TAX AND OTHER ARRANGEMENTS, GUINEANS WILL HAVE LEVERAGE IN SUBSEQUENT NEGOTIATIONS WITH OTHER MIXED COMPANIES, STARTING WITH CBG AND SOVIET OPERATION (OBK). NORANDA REPS OBVIOUSLY HOPE THAT CBG WILL TAKE SAME FIRM POSITION AGAINST ACCEPTING THESE NEW MEASURES, AND THAT, BECAUSE GUINEA DESPERATELY NEEDS FOREIGN CURRENCY, GOG WILL BE FORCED TO COMPROMISE.

5. OUTCOME OF FRIGUIA MEETING IS THAT GOG AND PARTNERS WILL SIMPLY AGREE TO DISAGREE. NORANDA REPS EMPHASIZE THE NEGOTIATIONS AND MEETINGS WERE CORDIAL THROUGHOUT, BUT THEY NOW FEEL ANY NEW INITIATIVE FOR RESUMING TALKS MUST COME FROM GUINEAN SIDE.

6. ALLAN AND BASSINE DEPARTING CONAKRY FEB 21, AND WILL RETURN TO US TO DISCUSS MATTER WITH OPIC, IN CONTEXT OF OPIC INVESTMENT GUARANTEES. (SEE STATE 070185, APRIL 1974, FOR BACKGROUND INFORMATION THIS MATTER). OLIN CORPORATION, WHICH RECENTLY SOLD ITS INTEREST IN FRIGUIA TO NORANDA, HAS INFORMED US THAT PART OF OPIC INSURANCE CONTINUES IN FORCE UNTIL 1978.

MACDONALD

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## Message Attributes

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**TAGS:** EMIN, ETRD, GV  
**To:** BERN ROME  
**Type:** TE  
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